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SUBJECT: SWEDEN REVERSES BAN ON NEW NUCLEAR REACTORS

11. Summary: The four center-right governing Alliance party leaders announced the removal of the ban on construction of new nuclear power reactors February 5. This is a key element of the GOS' Climate and Energy policy bill, which it will send to Parliament in March. New reactors may be built to replace old ones -- but only at the current nuclear sites and on the condition that no more than 10 reactors are in operation at any one time. The agreement on energy policy also includes other ambitions. By 2020 Sweden will:

- use 50 percent renewable energy,
- use 10 percent renewable energy in the transport sector,
- have 20 percent more efficient energy usage, and
- have a 40 percent reduction in greenhouse gas (GHG) emissions.

The GOS invited the opposition to consultations aimed at getting a broad political agreement. Reversal of the ban represents a victory for PM Reinfeldt, a move towards a pragmatic political platform for the 2010 general election. Given his Center Party coalition partner's historical anti-nuclear stance, this new agreement underlines both Reinfeldt's leadership and the adaptability of the governing Alliance coalition. End summary.

22. The four parties of Sweden's centre-right governing Alliance on February 5 announced they had reached a historic agreement to reverse a 1997 decision to phase out the country's 10 nuclear reactors. The party leaders agreed that the plants can instead be replaced at the end of their life spans as part of an ambitious new climate program.

#### A Tortured History

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33. Nuclear power accounts for nearly half of Sweden's electricity production. Nuclear energy policy has caused serious political divisions over the last three decades, leading to abrupt reversal of energy policies, considerable uncertainties for market operators, as well as even causing a government to resign over the issue (Center Party-led government in 1978).

44. The country voted in a non-binding referendum in 1980 to phase out Sweden's 12 nuclear reactors by 2010, but that target was abandoned in 1997 after officials acknowledged that there would not be sufficient alternative energy sources to replace the nuclear output. Instead, the government agreed to phase out nuclear power over the course of about three decades by not replacing the aging reactors. The Center Party in particular has long been a virulent opponent of a return to nuclear energy.

#### A Pragmatic Political Decision

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55. Pressure mounted on Center Party leader Maud Olofsson late January when her coalition partner Christian Democrats switched sides on the issue, joining the Moderates and the Liberal Party in calling for the ban to be lifted. After a top secret party meeting on February 4, the party leadership announced it had the mandate to negotiate a new nuclear energy deal. Olofsson was careful to point out that the party has not changed its mind about nuclear power, but that the compromise is one the party can live with. In return, she

won a commitment for resources for the scaling up of renewable energy as well as energy efficiency programs, including for the development of wind energy and biomass.

¶6. Another measure, which will be further specified in the energy and climate bill to be presented to the Parliament on March 17, is that the carbon dioxide tax will be raised. In total, GHG emissions will be reduced by 20 million tons compared to 1990 emissions. Two thirds of these reductions will be done domestically and one third will be done through investments in other EU-countries and in developing countries.

¶7. Alliance government leaders hope that the deal will remove the problem of their decade-long division on the nuclear issue well before the next general election in September 2010. The debate will likely be intense within the Center Party, although all Center Party MP's stand behind the agreement -- which strengthens party leader Maud Olofsson in the debate to come.

#### A Divided Opposition

¶8. Immediately after the Alliance's announcement, the three opposition parties - Social Democrats, Greens, and Left Party - called a press conference, where they criticized the deal and stated that if/when they are in government they intend to continue with the nuclear phase-out. Maud Olofsson has invited the opposition parties to talks with the aim of getting broad political agreement. If those attempts fail, the nuclear issue will figure prominently in the 2010 general election.

#### Comment

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¶9. With her party divided on the nuclear issue, Social Democrat Party leader Mona Sahlin faces a dilemma. About half of the party favors building additional nuclear power plants, and the powerful trade unions and energy-intensive industries are vocally praising the Alliance government's deal. Sahlin will face considerable opposition from within, then, if she appears to be closing the door to a broad agreement with the ruling Alliance parties. But for the governing parties, this development is another significant move towards a pragmatic political platform for the 2010 general election. Given his Center Party coalition partner's historical anti-nuclear stance, the deal also underlines PM Reinfeldt's leadership and the adaptability of the governing Alliance coalition.

SILVERMAN